GOVERNMENT OF INDIA
FINANCE
LOK SABHA

UNSTARRED QUESTION NO:4034
ANSWERED ON:14.12.2001
INITIAL PUBLIC OFFER
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Will the Minister of FINANCE be pleased to state:

(a) whether Initial Public Offer (IPO) market has touched zero during the six months of the current financial year;

(b) if so, whether during this period there have been only two IPOs and the raised paltry Rs. 6 crore;

(c) if so, the main reasons therefor;

(d) whether the Government have failed to bring to book fly by night companies that vanished after raising funds from the market;

(e) if so, whether due to this people`s faith in the stock market has totally been lifted; and

(f) if so, the steps taken or being taken by the Government to bring back the healthy stock market?

Answer

MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI BALASAHEB VIKHE PATIL)

(a) & (b) The Securities and Exchange Board of India (SEBI) has intimated that during the period April to September 2001, there were 3 IPOs which raised Rs. 28.35 crores. The total funds raised in the market by issue of equity and debt instruments through IPOs/public/rights issues during this period was Rs. 2365.42 crores.

(c) According to SEBI, the reasons why companies are not launching public issues may be the limited possibility of additional investment in some sectors; tightening of eligibility and disclosure norms by SEBI; apprehensions caused by the slowdown in the US economy; preference for the private placement market and liberalisation in the guidelines for ADR/GDR issues by Indianlisted companies.

(d) It had come to the notice of SEBI that certaincompanies were not complying with the requirements of listing agreements and were also not available at their registered offices after making public issues. SEBI has issued orders against 88 companies and 339 directors/promoters prohibiting them from raising funds in the capital market, dealing in securities and associating with any of the intermediaries in the capital market, for a period of five years. Department of Company Affairs (DCA) has intimatedthat 27 companies are under liquidation; 2 companies have been seized by the State Governments concerned; prosecution proceedings have been launched against 135 companies for non-filing of statutory documents; and default notices have been issued against 2 companies.

(e) & (f) Government regularly reviews relevant legislation, the rules and regulations made thereunder and the administration of the same keeping in view the interests of investors. The regulatory agencies concerned have issued detailed guidelines for disclosure, capital adequacy, prudential norms, compliance with regulatory norms etc. Other measures include promoting investor awareness of the risk-return relationship associated with various market instruments through investor education, implementation of a code of corporate governance and modernization of trading practices on stock exchanges.